

Message Text

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 PA-02 PRS-01 AGR-10 /115 W

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R 180912Z FEB 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6979

DEPT OF TREASURY WASDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

UNCLAS SECTION 1 OF 2 TOKYO 2382

PASS FEDERAL RESERVE, LABOR AND EXIMBANK

E.O. 11652: N/A

TAGS: EFIN, JA

SUBJECT: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF FEB 10-18

1. SUMMARY: EXPORT PICKUP IN JAN BEING HERALDED AS ONLY BRIGHT SPOT IN SLOW JAPANESE RECOVERY PACE. IN DEC GROWTH IN MONETARY AGGREGATES SLOWED, YET INTEREST RATES HAVE DECLINED AND REPORTS ARE THAT CREDIT IS MORE AMPLY AVAILABLE. END SUMMARY.

2. PUBLIC'S GROWING BELIEF THAT JAPAN'S RECOVERY HAD COME TO A CRAWL (SEE LAST WEEK'S REPORT, TOKYO 2025) PROMPTED DEPUTY IMP FUKUDA TO SPEAK OUT THIS WEEK THAT "ECONOMY WOULD TURN UPWARD IN THE CURRENT QUARTER." THAT STATEMENT THEN REQUIRED FURTHER CLARIFICATION THAT WHAT HE MEANT WAS: THE ECONOMY BOTTOMED OUT LAST FEB, THE SUBSEQUENT

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PACE OF RECOVERY HAS BEEN SLOW INDEED, BUT PROSPECTS ARE

NOW BRIGHTER. EPA'S REPORT FOR FEB NOTED THAT CONDITIONS APPEAR BRIGHT FOR THE EXPORT SECTOR WHEREAS DOMESTIC CONSUMER SPENDING AND INVESTMENT IN PLANT AND EQUIPMENT APPEAR TO BE VIRTUALLY STAGNANT. BANK OF JAPAN IN ITS MONTHLY REPORT ISSUED FEB 17 AVOIDED REFERENCE TO "UPTURN" ISSUE AND SIMPLY SAID THAT "DOMESTIC DEMAND AS A WHOLE REMAINED SLUGGISH IN JAN."

3. MONEY SUPPLY INDICATORS ALL INCREASED ON SEASONALLY ADJUSTED BASIS IN DEC BUT MUCH MORE SLOWLY THAN IN PRIOR MONTH. NARROWLY DEFINED MONEY SUPPLY, M1 (JEI 123, S.A.) GREW BY ONLY 0.3 PERCENT IN DEC FOLLOWING LARGE 4.1 PERCENT INCREASE IN NOV. GROWTH RATE FOR BROADLY DEFINED MONEY SUPPLY, M2 (S.A.), ALSO SLOWED TO 0.5 PERCENT. LOANS AND DISCOUNTS OF ALL BANKS (JEI 133, S.A.) CONTINUED TO RISE THROUGHOUT OCT-DEC 1975 BUT AT SUCCESSIVELY SMALLER MONTHLY RATES.

MONEY AND CREDIT, S..

(BIL YEN: PCT CH FROM PRIOR MO IN PARENTHESES)

	M1	M2	LOANS AND DISCOUNTS
OCT	44,973 (MIN 0.7)	118,413 (1.4)	86,281 (1.0)
NOV	46,823 (4.1)	121,004 (2.2)	87,061 (0.9)
DEC	46,959 (0.3)	121,664 (0.5)	87,756 (0.8)

(NOTE: BOJ REVISED SEASONAL ADJUSTING FACTORS FOR 1975. FIGURES IN ABOVE TABLE ARE BASED ON REVISED DATA.)

4. THE BROAD MONETARY AGGREGATES, MONEY SUPPLY AND BANK LOANS CONTINUED TO EXPAND THROUGHOUT 1975. QUARTERLY INCREASE IN M1 WAS VERY IRREGULAR. M2 AND BANK LOANS INCREASED MORE RAPIDLY IN THE SECOND HALF THAN IN THE FIRST HALF, BUT THERE WAS NO ACCELERATION IN THE FOURTH QUARTER. NEVERTHELESS, THE CREDIT SQUEEZE APPARENTLY HAS ENDED WITH SOME LOAN REPAYMENT REPORTED BY FOREIGN BANKERS (WHO ARE MARGINAL CREDIT SOURCES). IT HAS BEEN REPORTED THAT JAPANESE COMMERCIAL BANKS ARE URGING COMPANIES NOT TO REPAY OUTSTANDING LOANS TO THEM, WHICH MAY HELP ACCOUNT FOR STRONG DEMAND EARLY THIS YEAR FOR FINANCIAL UNCLASSIFIED

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ASSETS -- EQUITIES AND BONDS. BOND YIELDS DECLINED VERY SLIGHTLY DURING JAN BY AROUND 0.6 PERCENTAGE POINTS AND BROKE THROUGH 9 PERCENT LEVEL AT END OF THE MONTH. RATE OF DECLINE, HOWEVER, HAS SLOWED DOWN IN FEB AND BOND YIELDS HAVE DECLINED BY ONLY 0.05 PERCENTAGE POINTS DURING HALF MONTH PERIOD ENDING ON FEB 17. UNDERWRITING COMPANIES AND MOF REPORTEDLY CANCELED THEIR EARLIER PLAN TO LOWER LONG-TERM INTEREST RATES IN MARCH PARTLY DUE TO CALMING OF

BOND MARKET CONDITIONS.

FOLLOWING IS QUARTERLY DEVELOPMENT OF MONETARY AGGREGATES
FOR 1975.

QUARTERLY DEVELOPMENT OF MONETARY AGGREGATE
PERCENT CHANGES FROM PRIOR QUARTER
(BASED ON QUARTERLY AVERAGE OF SEASONALLY ADJUSTED MONTHLY
FIGURES)

1975	M1	M2	LOANS AND DISCOUNTS
JAN-MAR	2.8	3.1	2.5
APR-JUNE	1.9	3.1	2.8
JULY-SEP	3.9	3.8	2.9
OCT-DEC	1.9	3.8	2.8

5. WHOLESALE PRICES ROSE 0.8 PERCENT IN JAN FOR SEVENTH
CONSECUTIVE MONTHLY RISE. IT WAS LARGEST INCREASE SINCE
AUG 1974. JAN SURGE IN WPI (JEI 471) WAS SPURRED BY
PRICE INCREASES FOR ROLLED STEEL, CERAMICS, AND FARM
PRODUCTS.

INDEX (NSA, 1970-100) (PCT CH FROM PRIOR MO)		
NOV	158.3	0.3
DEC	159.2	0.6
JAN	160.5	0.8

6. EXPORT AND IMPORT VOLUMES INCREASED SHARPLY ON
SEASONALLY ADJUSTED BASIS IN DEC AFTER REGISTERING
TEMPORARY DECLINES IN NOV. JAPAN'S EXPORT VOLUME
(JEI 45) INCREASED BY 9.9 PERCENT IN DEC TO NEW ALL-TIME
HIGH LEVEL. DEC INCREASE IN IMPORT VOLUME (JEI 49, S.A.)
WAS ALSO VERY LARGE AT 17.7 PERCENT (ALTHOUGH MUCH OF
THIS REPRESENTED RECOVERY FROM SHARP 12.1 PERCENT DROP

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ACTION EA-09

INFO OCT-01 EUR-12 ISO-00 SP-02 AID-05 EB-07 NSC-05

CIEP-02 TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 PA-02 PRS-01 AGR-10 /115 W

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R 180912Z FEB 76

FM AMEMBASSY TOKYO

TO SECSTATE WASHDC 6980

DEPARTMENT OF TREASURY WASHDC

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

USMISSION OECD PARIS

UNCLAS SECTION 2 OF 2 TOKYO 2382

PASS FEDERAL RESERVE LABOR AND EXIMBANK

IN NOV) AND IMPORT VOLUME INDEX HAS NOW REGAINED LEVEL
OF SEP 1974. EMBASSY'S ESTIMATE FOR JAN (REPORTED
TOKYO 2302) INDICATES A SMALL FURTHER RISE IN EXPORT
VOLUME BUT A DECLINE IN IMPORT VOLUME ON SEASONALLY
ADJUSTED BASIS.

QUANTUM INDICE OF EXPORTS AND IMPORS, S.A., 1970-100
(PCT CH FROM PRIOR MONTH IN PARENTHESES)

	EXPORTS	IMPORTS
OCT	170.3 (5.7)	131.1 (0.4)
NOV	160.3 (MIN 5.9)	115.3 (MIN 12.1)
DEC	176.2 (9.9)	135.7 (17.7)
JAN EST	(1.3)	(MIN 4.7)

FOLLOWING TABLE SHOWS QUARTERLY AVERAGES OF EXPORT
AND IMPORT VOLUMES FOR 1975. BOTH EXPORTS AND IMPORTS
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DECLINED IN QUANTITY DURING SECOND QUARTER BUT THEN
INCREASED STEADILY THROUGHOUT THE LATTER HALF OF THE YEAR.
IN FOURTH QUARTER OF 1975 JAPAN'S EXPORT VOLUME REACHED
ALL-TIME HIGH LEVEL BUT IMPORTS VOLUME STILL REMAINED
3.6 PERCENT BELOW OCT--DEC 74 LEVEL. IN 1975 JAPAN'S
EXPORTS INCREASED IN QUANTITY BY 1.8 PERCENT OVER 1974
LEVEL WHILE IMPORT VOLUME DECLINED VERY SHARPLY BY 13.1
PERCENT.

1975	EXPORTS	IMPORTS
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JAN-MAR	157.8	122.5
APR-JUNE	152.9	117.7
JULY-SEP	156.6	125.4
OCT-DEC	168.9	127.4

7. JAPAN'S EXPORTS, IMF BASIS (JEI 44) CONTINUED TO INCREASE ON SEASONALLY ADJUSTED BASIS AND RECORDED 0.9 PERCENT GROWTH IN JAN ON TOP OF VERY LARGE 11.5 PERCENT RISE REGISTERED IN DEC. HEALTH IMPROVEMENT IN JAPAN'S EXPORTS WAS ATTRIBUTED TO ECONOMIC RECOVERY IN U.S. AND EUROPE, MOF OFFICIALS EXPLAINED. ADJUSTED IMPORTS (JEI 48) ALSO ROSE BY 1.4 PERCENT IN JAN FOLLOWING MODERATE 4.6 PERCENT GROWTH IN PRVIOUS ONTH. EXPORTS, IMPORTS, IMF BASIS, S.A.

(MIL DOLS; PCT CH FROM PRIOR MO IN PARENTHESES)

	EXPORTS	IMPORTS	BALANCE
1975 - NOV	4,365 (MIN 2.7)	4,230 (MIN 2.7)	135
DEC	4,867 (11.5)	4,423 (4.6)	444
1976 - JAN	4,913 (0.9)	4,485 (1.4)	428

TABLE BELOW SHOWS VARIOUS EXPORT INDICATORS PUBLISHED BY GOJ. WHILE SOME OF THESE SERIES ARE "LEADING" AND OTHERS ARE "LAGGING" INDICATORS, MONTH-TO-MONTH CORRELATION BETWEEN SEVERAL SERIES VARIES CONSIDERABLY. FIRST TO BE PUBLISHED EACH MONTH ARE EXPORT LETTERS OF CREDIT (L/C) WHICH ARE GENERALLY CONSIDERED TO LEAD MOVEMENTS OF TRADE ON CUSTOMS BASIS BY ONE OR TWO MONTHS. L/C DATA EXCLUDE SHIP EXPORTS BUT COVER ROUGHLY 70 PERCENT OF TOTAL TRADE INCLUDED IN CUSTOMS EXPORT STATISTICS. CERTIFIED EXPORTS ARE ALSO CONSIDERED A LEADING INDICATOR OF CUSTOMS BASIS TRADE BECAUSE EXPORTS ARE CERTIFIED BY MITI ABOUT ONE-UNCLASSIFIED

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HALF MONTH PRIOR TO ACTUAL SHIPMENT. ON FEB 2 RELEASE OF EXPORT L/C FIGURES INDICATING 17.5 PERCENT RISE OVER JAN 75 WAS FOLLOWED BY SUBSTANTIAL UPWARD PRESSURE ON THE YEN IN THE FOREX MARKET. THE FIGURES WERE CONSIDERED A CLEAR SIGN THAT, CONTRARY TO PREVIOUS EXPECTATIONS, JAPAN'S TRADE POSITION WAS STRENFTHENING, ESPECIALLY TO THE LARGE U.S. MARKET. RELEASE OF OTHER EXPORT INDICATORS SHOWING SMALLER INCREASES HAS SOMEWHAT DAMPENED INITIAL EXCESSIVE EXPECTATIONS BUT RECONFIRMED THE BASIS PROSPECT OF RISING EXPORT SALES.

EXPORT INDICATORS - NOT SEASONALLY ADJUSTED

(PERCENT CHANGE FROM A YEAR AGO)

(JEI NO. IN PARENTHESES)

L/C (41) CERTIFIED (42) CUSTOMS BASIS (43) IMF BASIS (44)

1974-NOV	- 0.7	- 17.4	- 13.2	- 13.6
DEC	1.0	0.4	- 1.3	- 1.5

1976-JAN 17.5 - 0.7 - 1.1 - 1.0

EXPORT INDICATORS - SEASONALLY ADJUSTED
PERCENT CHANGE FROM PREVIOUS MONTH

1975-NOV 3.3 - 13.0 - 6.1 - 2.7

DEC 2.1 20.9 11.2 11.5

1976-JAN 7.4 2.3 5.6 0.9

(NOTE: L/C, CUSTOMS BASIS, AND IMF BASIS TRADE DATA
ARE COMPILED BY MOF WHEREAS CERTIFIED FIGURES ARE PUBLISHED BY MITI.)

8. JAN PRELIMINARY B/P STATISTICS RELEASED THIS AFTERNOON
INDICATE OVERALL DEFICIT \$1,060 MIL DUE LARGELY TO
SEASONAL INFLUENCES. TRADE DEFICIT WAS \$560 MIL
UNADJUSTED (BUT IN SURPLUS BY \$428 MIL S.A.), CURRENT ACCOUNT
DEFICIT \$1,040 MIL AND DEFICIT BASIC BALANCE OF \$1,120 MIL.
OVERALL DEFICIT ENTIRELY FINANCED BY INFLOW OF \$1,270 MIL OF
COMMERCIAL BANK, SHORT-TERM FUNDS, THUS RUNNING DOWN
THEIR LONG SPOT DOLLAR HOLDINGS BUILT UP DURING DEC
FOREX SPECULATIVE PERIOD. RESERVES ROSE BY \$338 MIL, BUT
REPORTEDLY INCLUDE OVER \$100 MIL PROCEEDS OF GOJ SALES
OF WO-MONTH TREASURY BILLS TO FOREIGNERS, UNDERTAKEN
FOR ARBITRAGE REASONS AND TREATED AS OFFICIAL LIABILITIES.
(SEPTEL WILL CONTAIN USUAL DETAILED B/P FIGURES.)
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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DATA, ECONOMIC REPORTS
Control Number: n/a
Copy: SINGLE
Draft Date: 18 FEB 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Authority: n/a
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 JAN 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976TOKYO02382
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760060-0477
From: TOKYO
Handling Restrictions: n/a
Image Path:
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Legacy Key: link1976/newtext/t19760237/aaaabgfn.tel
Line Count: 309
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EA
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: ullricre
Review Comment: n/a
Review Content Flags:
Review Date: 19 JUL 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <19 JUL 2004 by oatisao>; APPROVED <02 SEP 2004 by ullricre>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: FINANCIAL AND ECONOMIC DEVELOPMENTS - WEEK OF FEB 10-18
TAGS: EFIN, JA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006